Insurance Work Group

Notes
November 19, 2003
9 – 10:45 AM, Denali Commission

Participants:
Al Ewing, Bob Stewart, Christian Ulmann, Barry McKenzie, Jeff Doty, Kent Paul, Kevin Smith, Linda Hall, Mark Kelty, Mike Gordon, Rachael Petro, Sheila Kopczynski, Terri Harper.

Discussion:

Pool Financial Re-Insurance – Chris Ulmann brought the group up to date on the idea he and Bill Allen (USDA RD) have been pursuing. Sheila Kopczynski, on behalf of Bill Allen explained to the group that Bill will be traveling to Washington, D.C. to pursue the possibility of using USDA funds for this program.

Chris explained there are essentially two options centered around a "retro plan". A retro plan requires the insured to pay a portion of the premium upfront (i.e. 60%). When there is a loss then the insured pays the remainder of the premium. The benefit of such a system are that when losses are none or low, the insured pays less. If there is a large loss requiring payment of the remainder of the premium then a subsidy by an entity or association (proposed funding – federal agencies including Denali Commission & USDA RD) can help the insured pay it. The subsidy would only represent a portion of the remainder of the premium that would need to be paid in a large loss situation – the insured would need to take responsibility for some of it.

Questions/Comments:

- What would this association look like? Answer: Hopefully an existing entity can be used.
- This assumes a community can pay has capacity and willingness to pay any part of a premium. Answer: Correct, this will depend greatly on how grant requirements are structured.
- Would this option be a base policy? Answer: Yes, it could be.
- How long would it take to get something like this in place? Answer: 60-90 days.

Action:
Chris Ulmann will submit a write up of this proposal for use in the report to the Governmental Coordination Committee and Bill Allen will let the work group know the results of his trip to DC.

Third Party Agreement (TPA) – Linda Hall explained that she re-read Alaska Statutes and spoke with her Assistant Attorney General about current laws and regulations pertaining to TPAs. She explained that TPAs can only offer life, health and annuity plans. This means that the options the group have been discussing like AML/JIA or AMERIND being a TPA would require statutory change. Additionally Linda said that a Management General Agent (MGA) is also not an option – it would provide services beyond the needs we have been discussing.

She said what we really need is an entity to be a "pass through" like in the Loss Limit Plan proposed by Brandon Allen or perhaps a reciprocal.

Loss History Data – Bob Stewart and Linda Hall discussed losses. Bob provided a print out of disasters declared from 1993 – 2003 and the amount paid by the Alaska Division of Emergency Services to communities for public facilities in each case. Bob explained that his Division only contributes to disaster relief after all other emergency resources have been exhausted. Linda discussed fire data compiled by the State (available online).

Questions/Comments:

- Does this data include urban areas? The disaster data does not include urban areas.
- It was noted that the estimates from fire damage are often too conservative (estimates are provided by fire marshals).

Actions:

- Need better data – how do we compile it?

Reciprocals – Linda Hall explained that reciprocals have surplus requirements which are not the same as private insurers. Currently there are two operating in the state. One is Alaska Timber Insurance Exchange (ATIE) and ? (ARECA). Alaska Statue, Title 21 requires a minimum $1million basic surplus and another $500,000 additional surplus. Reciprocals provide a great degree of subscriber input since they participate on the reciprocal board of directors. Reciprocals are run just like an insurance company – they handle claims, etc. and provide a degree of financial oversight by the state.

Questions/Comments:

- Problem with any private entity is the profit motive.
- Reciprocal could be set up with protective measures which could require re-investment of profits to reduce future rates.
- A reciprocal designed to meet the interests of federal agencies would widen the risk of an entity. Current reciprocals are very focused.
- Will this be affordable? Answer: Proper incentives must be in place before affordability can really be addressed.

ANTHC – Mark Kelty reported that ANTHC has discussed the possibility of being an administrator of a risk-management or insurance program. ANTHC concluded that in the short term such a possibility is outside of their focus. Long term – ANTHC can conceptualize the possibility of being an administrator for health facilities only.

Education –Terri Harper presented a draft of a "proposed project insurance questionnaire" which would prompt education about the need for insurance prior to the development of a business plan for a project. Terri's example was specific to bulk fuel projects, but the concept could be expanded to any grant program.

Action:

- Work group members will review the draft and provide comments to Terri (tharper@aidea.org).

Other Action Items

- Rachael will draft a report to the Governmental Coordination Committee by COB Friday, November 21st.